

2817 Greenway Court
Lexington, Kentucky 40511
October 19, 2005

RECEIVED

OCT 19 2005

Ms. Stephanie Bell, Secretary
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

Dear Ms. Bell:

Case No. 2005-00431

Enclosed herewith for filing is the original and ten (10) copies of an application for rate adjustment with attachments for Evergreen Sewage Disposal System, Inc. I understand that we are not required to prepare the billing analysis portion of the application because the rates we charge are a flat rate per customer.

Please also note that all correspondence and/or inquiries concerning this rate adjustment should be sent to me as well as the utility located in Frankfort. Both of the addresses are listed on the front of the application.

Thanking you in advance for your cooperation in this matter.

Sincerely yours,



Clarice H. Howard
Bookkeeper/Secretary

cc: Public Service Litigation Branch
Office of Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

Case No. 7005-00431

RECEIVED

OCT 19 2005

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

EVERGREEN DISPOSAL SYSTEM, INC.

Name of Utility

650 Evergreen Road, Frankfort, Kentucky 40601

Business Mailing Address

Telephone Number 502 / 227-4316

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Clarice H. Howard, Bookkeeper/Secretary

Address: 2817 Greenway Court, Lexington, Kentucky 40511

and Earline P. Stone, at the address of the utility above

Telephone Number: (859) 229-4514 (Clarice) or Earline at the number above

- 1) Do you have 500 customers or fewer? (Yes) No
- 2) Do you have \$300,000 in Gross Annual Revenue or less? (Yes) No
- 3) Has the Utility filed an annual report with this Commission for the past year and the two previous years? (Yes) No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise? (Yes) No

NOTICE: To be eligible for consideration of a rate **adjustment** under this regulation, you must have answered **yes** to either question 1 or 2 and **yes** to both questions 3 and 4 above. If you answer **no** to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these

requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used **as** the basis for the 12 months ending December 31, 2004

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per Annual Report</u>	<u>Amount Per Annual Report</u>	<u>Increase (Decrease)</u>	<u>Adjusted Amount</u>
<u>Revenues:</u>	\$	\$	\$
Total Revenues	\$ _____	\$ _____	\$ _____
<u>Expenses:</u>			
Repairs	583.76	100.00	683.76
Chemicals	526.00	100.00	626.00
Sludge Hauling	2,390.00	100.00	2,490.00
Management Fee	4,740.00	200.00	4,940.00
Total Expenses	\$ <u>8,239.76</u>	\$ <u>500.00</u>	\$ <u>8,739.76</u>
Revenues Less Expenses	\$ _____	\$ _____	\$ _____

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Repairs: There have been many repairs that have been necessary to pumping system of the plant over the last couple of years, thus making this expense increase. The 2004 annual report has a substantial increase in repairs as compared to 2003.

Chemicals: There have been an increase in the cost of chemicals and this increase is noted in the 2004 annual report as compared to the 2003 annual report.

Sludge Hauling: It has been necessary to made additional sludge hauling loads in 2004 as compared to 2003. Please review the 2003 annual report and compare to the 2004 report to note the increase.

Management Fee: The current manager is being paid \$4,740.00 per year, however, due to increased gas prices and other expenses, the manager will require additional monies in the future.

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Residential	\$22.55	\$35.00	55%

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

None other than explained in 1b of the application.

2) Total number of Customers
as of the date of filing: 36

3) Total amount of increased
revenue requested: additional 5,378.40

4) Please circle Yes or No:

a) Does the utility have any outstanding
indebtedness? Yes (No)

If yes, attach a copy of any documents
such as promissory notes, bond
resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed
in the Annual Report for 2004 incurred
and collected from January 1 to
December 31 of that year? (Yes) No

If no, list total revenues and total
expenses incurred prior to or
subsequent to this period and attach
invoices or other analysis which show
how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2004 and the amount shown on this schedule.

There is no difference from annual report.

6) If utility is a sewer utility:

- a) Attach a copy of the latest State and Federal Income Tax Returns.
- b) How much of the utility plant was recovered through the sale of lots or other contributions None \$ or %? (If unknown, state the reason).

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

The utility has had trouble over the past 12 months paying expenses from the income currently being received. Due to the increase in repair costs, chemicals and additional sludge hauling, the utility **is** not able to pay all of its expenses each month. **Plus** the manager of the utility will require additional compensation during the next year. The utility is looking at the possibility of a loan to pay expenses during the pendency of this rate increase request.

IV. Billing Analysis

The utility uses a flat rate for each customer.

V. General Information/Customer Notice

1) Filing Requirements:

- a. **If** the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

This utility is a corporation, however a copy of its articles of Incorporation were filed in a previous rate case, No. 92-248, Filed on July 1, 1992.

- b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky **40602**

Telephone: 502 / 564 - 3940

- c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

- 2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

Copy of notice is attached along **with** listing of customers

- 3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 - 3940.

- 4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Officer of the Company

Title

Earline P. Stone/Clarice H. Howard

President and Bookeeper/Secretary

Date

10/19/05

U.S. Corporation Short-Form Income Tax Return

OMB No. 1545-0890

Department of the Treasury
Internal Revenue Service

▶ See separate instructions to make sure the corporation qualifies to file Form 1120-A.

2004

A Check this box if the corporation is a corporation (see instructions).

EVERGREEN SEWAGE DISPOSAL SYSTEM
INC
650 EVERGREEN RD

B Employer identification number

C Date incorporated

(1) Initial return (2) Final return (3) Name change (4) Address change

F Check accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

	1a	b	c					
Income	Gross receipts or sales			Balance ▶	1c	9,831	45	
	2 Cost of goods sold (see page 17 of instructions)				2			
	5 Interest				5			
	6 Gross rents				6			
	7 Gross royalties				7			
	8 Capital gain net income (attach Schedule D (Form 1120))				8			
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)				9			
	10 Other income (see page 11 of instructions—attach schedule)				10			
	11 Total income. Add lines 3 through 10				11	9,831	45	
	Deductions	12 Compensation of officers (see page 13 of instructions)				12		
		13 Salaries and wages (less employment credits)				13	4,740	00
14 Repairs and maintenance					14	583	76	
15 Bad debts					15			
16 Rents					16			
17 Taxes and licenses					17	87	99	
18 Interest					18			
19 Charitable contributions (see page 14 of instructions for 10% limitation)					19			
20		2,377		19				
21 Less depreciation claimed elsewhere on return					21a	2,377	19	
22 Other deductions (attach schedule)					22	5,764	80	
23 Total deductions. Add lines 12 through 22				23				
24 Taxable income before net operating loss deduction and special deductions. Subtract line 23 from line 11.				24	13,553	74		
25 Less: a Net operating loss deduction (see page 16 of instructions)				25a				
b Special deductions (see page 16 of instructions)				25b				
25c					(3,722)	29		
26 Taxable income. Subtract line 25c from line 24				26	(3,722)	29		
27 Total tax (page 2, Part I, line 5)				27	-0-			
Tax and Payments	28 Payments:							
	a 2003 overpayment credited to 2004	28a						
	b 2004 estimated tax payments	28b						
	c Less 2004 refund applied for on Form 4466	28c						
	d Tax deposited with Form 7004	28d						
	e Credit for tax paid on undistributed capital gains (attach Form 2439)	28e						
	f Credit for Federal tax on fuels (attach Form 4136). See instructions	28f						
	g Total payments. Add lines 28d through 28g	28g						
	28h					-0-		
	29 Estimated tax penalty (see page 17 of instructions). Check if Form 2220 is attached <input type="checkbox"/>				29			
30					-0-			
31 Overpayment. If line 28h is larger than the total of lines 27 and 29, enter amount overpaid				31				
32 Enter amount of line 31 you want: Credited to 2005 estimated tax ▶ Refunded ▶				32				

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer: _____ Date: 3/30/05 Title: Bookkeeper

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Paid Preparer's Use Only

Preparer's signature: _____ Date: 3/30/05 Check if self-employed Preparer's SSN or PTIN: _____
 Firm's name (or yours if self-employed), address, and ZIP code: 2817 Greenway Court, Lexington, KY 40511
 EIN: _____ Phone no.: (859) 229-4514

Part I Tax Computation (see page 20 of instructions)

1	Income tax. If the corporation is a qualified personal service corporation (see page 21), check here <input type="checkbox"/>	1	-0-
2	General business credit. Check box(es) and indicate which forms are attached: <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) _____	2	
3	Subtract line 2 from line 1	3	
4	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Other (attach schedule)	4	
5	Total tax. Add lines 3 and 4. Enter here and on page 1, line 27	5	

Other Information (see page 23 of instructions)

- 1 See page 25 of the instructions and enter the:
 - a Business activity code no. _____
 - b Business activity _____
 - c Product or service _____
- 2 At the end of the tax year, did any individual, partnership, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For _____ of attribution, see section 267(c).) Yes No
If "Yes," attach a schedule showing name and identifying number.
- 3 Enter the amount of tax-exempt interest received or accrued during the tax year. \$ _____
- 4 Enter total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ _____
- 5a If an amount is entered on page 1, line 2, enter from worksheet on page 17 instr.:

(1) Purchases	
(2) Additional 263A costs (attach schedule)	
(3) Other costs (attach schedule)	
- b If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No
- 6 At any time during the 2004 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? Yes No
If "Yes," the corporation may have to file Form TD F 90-22.1.
If "Yes," enter the name of the foreign country _____
- 7 Are the corporation's total receipts (line 1 plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? Yes No
If "Yes," the corporation is **not** required to complete Parts III and IV below.

Part III Balance Sheets per Books

		(a) Beginning of tax year		(b) End of tax year	
Assets	1 Cash	1,621	47	276	38
	2a Trade notes and accounts receivable	204	30	(534)	99
	b Less allowance for bad debts.				
	3 Inventories				
	4 US. government obligations				
	5 Tax-exempt securities (see instructions)				
	6 Other current assets (attach schedule)				
	7 Loans to shareholders				
	8 Mortgage and real estate loans				
	9a Depreciable, depletable, and intangible assets.	66,383	84	66,383	84
	b Less accumulated depreciation, depletion, and amortization	(57,229)	(53)	(59,606)	(72)
	10 Land (net of any amortization)	11,535	85	11,535	85
11 Other assets (attach schedule)					
12 Total assets	11,515	93	7,054	36	
Liabilities and Shareholders' Equity	13 Accounts payable				
	14 Other current liabilities (attach schedule)				
	15 Loans from shareholders				
	16 Mortgages, notes, bonds payable.				
	17 Other liabilities (attach schedule)				
	18 Capital stock (preferred and common stock)				
	19 Additional paid-in capital	72,878	00	72,878	00
	20 Retained earnings	(61,362)	(07)	(65,823)	(64)
	21 Adjustments to shareholders' equity (attach schedule)				
	22 Less cost of treasury stock				
	23 Total liabilities and shareholders' equity	11,515	93	7,054	36

Part IV Reconciliation of Income (Loss) per Books With Income per Return

1	Net income (loss) per books	(37,722)	29	6	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books.			7	Deductions on this return not charged against book income this year (itemize):	
3	Excess of capital losses over capital gains			8	Income (page 1, line 24). Enter the sum of lines 1 through 5 less the sum of lines 6 and 7	(3,722) 29
4	Income subject to tax not recorded on books this year (itemize):					
5	Expenses recorded on books this year not deducted on this return (itemize):					

720

41A720

Department of Revenue

Kentucky Corporation Inco and License Tax Return (S Corporations Use Form 720S)

COPY 2004 Taxable Year Ending

See separate inst.

A Check applicable box(es).

Income Tax Return

Separate entity

Consolidated Attach Form 722

Return not required

Enter code

License Tax Return

Return not required

Enter code

B Federal Identification Number

C Kentucky Account Number

EVERGREEN SEWAGE DISPOSAL SYSTEM INC 650 EVERGREEN RD FRANKFURT KY 40601-7608

Principal Business Activity in KY

Phone Number Kentucky Business Code No.

D Name of Common Parent Kentucky Account Number Federal Business Code Number

E Check if applicable: LLC initial return Final return Short-period return Change of name Change of address

PART I - TAXABLE INCOME COMPUTATION

Table with 3 columns: Description, Amount, and another column. Includes rows for Federal taxable income, ADDITIONS, and SUBTRACTIONS.

Table with 3 columns: Description, Amount, and another column. Includes rows for Income tax overpayment, Credited to 2004 license tax, Credited to 2005, and Amount to be refunded.

PART III - LICENSE TAX COMPUTATION

Table with 3 columns: Description, Amount, and another column. Includes rows for Capital stock, Computation of surplus, Surplus, Advances by affiliated companies, Intercompany accounts, Borrowed moneys, Less moneys borrowed for inventory, Less KRS 136.071 deduction, Total capital, Apportionment fraction, Capital employed subject to tax, Tax before credit, Licensetax credit, Licensetax liability, Kentucky investment fund tax credit, KIRA tax credit, Coal incentive tax credit, Reinvestment in existing industry tax credit, Net licensetax liability, Extension payment, Income tax overpayment, Licensetax due, Licensetax overpayment, Credited to 2004 income tax, Credited to 2005, and Amount to be refunded.

Caution: An election to file a consolidated incometax return does not apply for license tax. See page 6 of instructions.

No packet required for 2005.

Income Penalty License Interest TOTAL (Including Penalty and Interest)

SCHEDULE Q—KENTUCKY CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4–11 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to **do so may** result in a request for a delinquent return.

1. Indicate whether: (a) completely new business; (b) successor to previously existing business which was organized as: ~~XXX~~ corporation; (2) partnership; (3) sole proprietorship; or (4) other _____

If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.

2. List the following **Kentucky** account numbers. Enter N/A for any number not applicable.

Employer Withholding	N/A
Sales and Use Tax Permit	N/A
Consumer Use Tax	N/A
Unemployment Insurance	N/A
Coal Severance and/or Processing Tax	N/A

3. If a foreign corporation, enter the date qualified to do business in Kentucky. ____ / ____ / ____

4. The corporation's books are in care of: (name and address)

Earline P. Stone
650 Evergreen Road
Frankfort, KY 40601

5. If the corporation has a **KNOL** for the taxable year and is electing to forego the net operating **loss** carryback period, check here 17.
6. Is the corporation a partner in a partnership doing business in Kentucky? Yes No If yes, list name and federal I.D. number of the partnership. _____
- Did the corporation have property or payroll in Kentucky, other than partnership property or payroll? Yes No
7. Are disregarded entities included in this return? Yes No If yes, list name and federal I.D. number of the disregarded entity. _____
8. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____
9. Is the corporation a public service corporation subject to taxation under KRS 136.1207 Yes No
10. (a) Did the corporation file a Kentucky intangible property tax return for January 1, 2005? Yes No
 (b) Did the corporation file a Kentucky tangible personal property tax return for January 1, 2005? Yes No

11. Is the corporation currently under audit by the Internal Revenue Service? Yes No If yes, enter years under audit _____

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to this department, check here and file Form 720X, Amended Kentucky Corporation Income Tax and Corporation License Tax Return, for each year adjusted and attach a copy of the final determination.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? Yes No

President's Name: Earline P. Stone Treasurer's Name: Earline P. Stone

President's Home Address: same as above Treasurer's Home Address: same as above

President's Social Security Number: _____ Treasurer's Social Security Number: _____

Vice President's Name: _____ Secretary's Name: M.W. Copeland

Vice President's Home Address: _____ Secretary's Home Address: Meadow Lane
Frankfort, KY 40601

Vice President's Social Security Number: _____ Secretary's Social Security Number: _____

I, the undersigned, declare under the penalties of perjury, that I have examined these returns, including all accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete.

Clarice H. Howard 3/30/05
 Signature of principal officer or chief accounting officer Date
 Name and Social Security or federal identification number of person or firm preparing return

May the Department of Revenue discuss this return with the preparer?
 Yes No

**Other Deductions
No.**

EVERGREEN SEWAGE DISPOSAL SYSTEM, INC.

Water	107.05
Fuel & Power Purchased	1,085.90
Sludge Hauling	2,390.00
Collection Expense	761.72
Chemicals	526.00
Office Expense	344.13
Miscellaneous	<u>550.00</u>
TOTAL DEDUCTIONS	\$5,764.80

M E M O R A N D U M

TO: All customers of Evergreen Sewage
Disposal System, Inc.

FROM: Earline P. Stone
President

DATE: October 17, 2005

RE: Proposed rate increase

This is to advise you that Evergreen Sewage Disposal System will be filing for a rate increase with the Public Service Commission within the next few days. The proposed rate is an increase of \$12.45 per month, the old rate being \$22.55 and the new proposed rate being \$35.00 per month. It is our hope that the new rate will be effective December 1, 2005.

The rates contained in this notice are the rates proposed by Evergreen Sewage Disposal System, Inc. However, the Public Service Commission may order rates to be charged that are higher: or lower than the rates proposed in this notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the motion, including the status and interest of the movant.

Copies of the application for a rate adjustment may be obtained at no charge from Evergreen Sewage Disposal System, 650 Evergreen Road, Frankfort, Kentucky or calling (502) 227-4316. Upon request from an intervenor, Evergreen shall furnish to the intervenor a copy of the application and supporting documents.

CUSTOMERS OF EVERGREEN SEWAGE DISPOSAL SYSTEM

Donald/Kimberly Redmon (2)
46 Lawrence Street
Frankfort, KY 40601

Angela Fluegge
56 Lawrence Street
Frankfort, KY 40601

David/Cynthia Hecker
50 Lawrence Street
Frankfort, KY 40601

Larry/Pamela Miller
52 Lawrence Street
Frankfort, KY 40601

Don/Carol Redmon (2)
54 Lawrence Street
Frankfort, KY 40601

David/Lisa Smith
3565 Evergreen Road
Frankfort, KY 40601

Kathy Glass
47 Lawrence Street
Frankfort, KY 40601

Charlie/Paula Conway
48 Lawrence Street
Frankfort, KY 40601

Doris Baker
49 Lawrence Street
Frankfort, KY 40601

Kevin/Virginia Jump
65 Lawrence Street
Frankfort, KY 40601

Donna Daniels
139 Lawrence Street
Frankfort, KY 40601

Denver Smith
141 Lawrence Street
Frankfort, KY 40601

Dennis Cantrell
155 Lawrence Street
Frankfort, KY 40601

John Mynheir
153 Lawrence Street
Frankfort, KY 40601

Kenneth/Shirley Casey
3601 Evergreen Road
Frankfort, KY 40601

Earline P. Stone (12 units)
650 Evergreen Road
Frankfort, KY 40601

Milton W. Copeland, III (4)
1273 Meadow Lane
Frankfort, KY 40601

Troy Woody (2 units)
233 Twin Pines Lane
Frankfort, KY 40601